

Annual Report of the
FEDERAL MARITIME BOARD
MARITIME ADMINISTRATION

1951



UNITED STATES DEPARTMENT OF COMMERCE

Progress of Construction on Vessels Under Maritime Administration Contracts on June 30, 1951

Type	Name	Operator	Builder	Date of contract	Keel laid	Percent complete	Estimated delivery
P3-S2-DL2	Independence	American Export Lines	Bethlehem Steel Co.	Aug. 11, 1948	Mar. 29, 1949	100.0	Jan. 11, 1951
P3-S2-DL2	Constitution	do	Quincy, Mass.	do	July 12, 1949	100.0	June 7, 1951
P2-S1-DN3	U. S. N. S. Barrett	Military Sea Transportation Service	New York Shipbuilding Corp., Camden, N. J.	Aug. 18, 1948	June 1, 1949	73.9	Feb. 17, 1952
P2-S1-DN3	U. S. N. S. Geiger	do	do	do	Aug. 1, 1949	64.5	Apr. 15, 1952
P2-S1-DN3	U. S. N. S. Upshur	do	do	do	Sept. 30, 1949	60.8	June 15, 1952
P6-S4-DS1	United States	United States Lines	Newport News Shipbuilding & Dry Dock Co., Newport News, Va.	Apr. 7, 1949	Feb. 8, 1950	68.79	May 29, 1952
C4-S-1a	Old Dominion Mariner	do	do	Feb. 7, 1951		3.0	May 8, 1952
C4-S-1a	Tar Heel Mariner	do	do	do		2.5	June 5, 1952
C4-S-1a	Volunteer Mariner	do	do	do			July 3, 1952
C4-S-1a	Palmetto Mariner	do	do	do			Aug. 15, 1952
C4-S-1a	Cracker State Mariner	do	do	do			Sept. 30, 1952
C4-S-1a	Lone Star Mariner	do	Ingalls Shipbuilding Corp., Pascagoula, Miss.	do		4.8	Oct. 10, 1952
C4-S-1a	Magnolia Mariner	do	do	do		3.2	Dec. 12, 1952
C4-S-1a	Cotton State Mariner	do	do	do		.6	Jan. 20, 1953
C4-S-1a	Pelican State Mariner	do	do	do			Mar. 16, 1953
C4-S-1a	Peninsula State Mariner	do	do	do			May 20, 1953
C4-S-1a	Free State Mariner	do	Bethlehem-Sparrows Point Shipyard, Inc., Sparrows Point, Md.	do			Aug. 1, 1952
C4-S-1a	Mountain State Mariner	do	do	do			Sept. 30, 1952
C4-S-1a	Gopher State Mariner	do	do	do			Nov. 29, 1952
C4-S-1a	Show Me Mariner	do	do	do			Dec. 31, 1952
C4-S-1a	Sunflower Mariner	do	do	do			Feb. 7, 1953
C4-S-1a	Old Colony Mariner	do	Bethlehem Steel Co., Quincy, Mass.	do			June 1, 1952
C4-S-1a	Cornhusker Mariner	do	do	do			Aug. 1, 1952
C4-S-1a	Pine Tree Mariner	do	do	do			Oct. 15, 1952
C4-S-1a	Constitution State Mariner	do	do	do			Dec. 29, 1952
C4-S-1a	Wolverine Mariner	do	do	do			Feb. 7, 1953
C4-S-1a	Keystone Mariner	do	Sun Shipbuilding & Dry Dock Co., Chester, Pa.	do	June 15, 1951		Apr. 1, 1952
C4-S-1a	Buckeye Mariner	do	do	do			May 15, 1952
C4-S-1a	Hoosier Mariner	do	do	do			July 1, 1952
C4-S-1a	Badger State Mariner	do	do	do			Aug. 15, 1952
C4-S-1a	Hawkeye Mariner	do	do	do			Oct. 1, 1952
C4-S-1a	Garden State Mariner	do	New York Shipbuilding Corp., Camden, N. J.	June 25, 1951			Oct. 25, 1952
C4-S-1a	Diamond State Mariner	do	do	do			Dec. 5, 1952
C4-S-1a	Empire State Mariner	do	do	do			Feb. 25, 1953
C4-S-1a	Prairie State Mariner	do	do	do			Mar. 25, 1953
C4-S-1a	Silver State Mariner	do	do	do			May 25, 1953
C3-S-DX1	Schuyler Otis Bland	American President Lines	Ingalls Shipbuilding Corp., Pascagoula, Miss.	Oct. 7, 1949	May 29, 1950	97.3	July 23, 1951

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Shipbuilding

New Construction

At the beginning of fiscal year 1952, 35 ships were being constructed under Maritime Administration contracts. Three were for delivery to the Military Sea Transportation Service, having been selected by the Secretary of Defense for conversion during construction to dependent transports. One of the three, the USNS *Barrett*, was delivered on May 21, 1952, and the other two were scheduled for delivery late in calendar year 1952 and early in 1953.

The superliner SS *United States* was delivered June 20, 1952, for the trans-Atlantic service of the United States Lines Company. The highly successful trials indicated that this ship may readily be converted to the safest and fastest troop transport afloat. The SS *Schuyler Otis Bland* was delivered July 26, 1951, and entered the service of American President Lines, Ltd., under charter. This ship included a new type of Maritime Administration-designed cargo gear. Frequent reports indicated the superiority of this cargo gear, and it is proposed to incorporate it in other ships to be constructed.

The remaining 30 ships under contract were of the Mariner type authorized by special legislation. Five ships were being built by each of six yards. On August 1, 1951, a contract for five additional ships of this type was awarded to the Bethlehem-Pacific Coast Steel Corporation. Five of these 35 ships were originally scheduled for delivery during fiscal year 1952, but material delays prevented this. Some deliveries were expected during the first quarter of fiscal year 1953.

At the end of the fiscal year, 37 ships were being built under Maritime Administration contracts. Summaries of all ship construction may be found in appendixes C, D, E, and F.

Material control

Under the controlled materials plan of the National Production Authority, the Maritime Administration was the claimant for seagoing merchant ship construction. Material requirements to maintain scheduled shipyard construction were presented quarterly for approval to the Defense Production Administration, which then authorized the Maritime Administration to allocate materials to the building yards. Since the inception of the plan, an allocation of materials equal to requirements was received only for the fourth quarter of the fiscal year. The reduced allocations caused definite curtailment in production. Merchant shipbuilding enjoyed no special priority, and the shipyards were able to place only 85 percent of their allocations with steel producers. The loss of approximately 6 weeks of steel production because of strikes in the steel industry further delayed ship construction, approximately 4 months on some ships. Similar problems faced the industries manufacturing ship components

APPENDIX E

Progress of Construction on Ships Under Maritime Administration Contracts on June 30, 1952

Type	Name	Operator	Builder	Date of contract	Keel laid	Percent complete	Estimated delivery
P2-S1-DN3	U. S. N. S. Geiger	Military Sea Transportation Service	New York Shipbuilding Corp., Camden, N. J.	Aug. 18, 1948	Aug. 1, 1949	91.62	Sept. 15, 1952
P2-S1-DN3	U. S. N. S. Upshur	do	do	do	Sept. 30, 1949	81.78	Jan. 15, 1953
C4-S-1a	Old Dominion Mariner	American President Lines	Newport News Shipbuilding and Dry Dock Co., Newport News, Va.	Feb. 7, 1951	Aug. 1, 1951	69.96	Sept. 15, 1952
C4-S-1a	Tar Heel Mariner	Pacific Far East Line, Inc.	do	do	Aug. 27, 1951	56.25	Oct. 15, 1952
C4-S-1a	Volunteer Mariner	do	do	do	Nov. 12, 1951	31.30	Dec. 12, 1952
C4-S-1a	Palmetto Mariner	do	do	do	do	17.95	Mar. 27, 1953
C4-S-1a	Cracker State Mariner	do	do	do	do	12.73	Sept. 11, 1953
C4-S-1a	Lone Star Mariner	do	Ingalls Shipbuilding Corp., Pascagoula, Miss.	do	Aug. 2, 1951	73.1	Oct. 31, 1952
C4-S-1a	Magnolia Mariner	do	do	do	Sept. 12, 1951	53.3	Dec. 31, 1952
C4-S-1a	Cotton State Mariner	do	do	do	Oct. 19, 1951	45.1	Feb. 27, 1953
C4-S-1a	Pelican State Mariner	do	do	do	do	21.9	Oct. 19, 1953
C4-S-1a	Peninsula Mariner	do	do	do	do	19.3	Dec. 11, 1953
C4-S-1a	Free State Mariner	Farrell Lines, Inc.	Bethlehem-Sparrows Point Shipyard, Inc., Sparrows Point, Md.	do	Sept. 4, 1951	64.8	Oct. 31, 1952
C4-S-1a	Mountain Mariner	do	do	do	Nov. 19, 1951	42.1	Dec. 31, 1952
C4-S-1a	Gopher Mariner	do	do	do	June 5, 1952	24.4	Apr. 3, 1953
C4-S-1a	Show Me Mariner	do	do	do	do	14.9	July 15, 1953
C4-S-1a	Sunflower Mariner	do	do	do	do	11.5	Oct. 30, 1953
C4-S-1a	Old Colony Mariner	United States Lines Co.	Bethlehem Steel Co., Quincy, Mass.	do	July 2, 1951	84.0	Sept. 15, 1952
C4-S-1a	Cornhusker Mariner	Seas Shipping Co., Inc.	do	do	Oct. 1, 1951	68.0	Nov. 7, 1952
C4-S-1a	Pine Tree Mariner	do	do	do	Dec. 27, 1951	48.0	Dec. 29, 1952
C4-S-1a	Nutmeg Mariner	do	do	do	Apr. 14, 1952	35.0	Mar. 3, 1953
C4-S-1a	Wolverine Mariner	do	do	do	do	28.0	May 1, 1953
C4-S-1a	Keystone Mariner	Waterman Steamship Corp.	Sun Shipbuilding and Dry Dock Co., Chester, Pa.	do	June 15, 1951	82.0	Sept. 5, 1952
C4-S-1a	Buckeye Mariner	States Marine Corp.	do	do	July 16, 1951	65.3	Oct. 15, 1952
C4-S-1a	Hoosier Mariner	do	do	do	Aug. 15, 1951	62.9	Nov. 20, 1952
C4-S-1a	Badger Mariner	do	do	do	Oct. 15, 1951	34.5	Jan. 20, 1953
C4-S-1a	Hawkeye Mariner	do	do	do	Oct. 25, 1951	21.8	Mar. 20, 1953
C4-S-1a	Garden Mariner	do	New York Shipbuilding Corp., Camden, N. J.	June 25, 1951	Mar. 17, 1952	25.32	Apr. 1, 1953
C4-S-1a	Diamond Mariner	do	do	do	May 15, 1952	20.47	May 15, 1953
C4-S-1a	Empire State Mariner	do	do	do	do	14.41	June 15, 1953
C4-S-1a	Prairie Mariner	do	do	do	do	4.97	July 31, 1953
C4-S-1a	Silver Mariner	do	do	do	do	4.94	Oct. 1, 1953
C4-S-1a	Golden Mariner	do	Bethlehem-Pacific Coast Steel Corp., San Francisco, Calif.	Aug. 1, 1951	do	6.37	Sept. 15, 1953
C4-S-1a	Evergreen Mariner	do	do	do	do	4.91	Nov. 15, 1953
C4-S-1a	Beaver Mariner	do	do	do	do	1.88	May 1, 1954
C4-S-1a	Sooner Mariner	do	do	do	do	1.76	June 1, 1954
C4-S-1a	Grand Canyon Mariner	do	do	do	do	1.61	Nov. 1, 1954

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preservation work was completed, because of the need to concentrate man-power on the more critical basic work.

Design installation studies were completed and a program for placing ships in east coast reserve fleets under cathodic protection was undertaken. By June 30, 1953, the 366 ships in the James River fleet were under full protection and the program at the Hudson River fleet was 8 percent complete and at Wilmington, 38 percent complete. It is estimated that all ships in the last 2 fleets will be under protection within a few months.

Tanker services

Tanker services included providing information to other agencies, participation in defense tanker construction planning, and administration of the voluntary tanker plan for industry cooperation. Under the voluntary tanker plan the tanker industry, participating nearly 100 percent, continued to meet all requirements of the Military Sea Transportation Service for tonnage needs beyond its own capacity. During the year 296 voyages were made, providing 214,515,000 deadweight ton-days of service.

Shipbuilding

New construction

At the beginning of fiscal year 1953, 37 ships were being constructed under Maritime Administration contracts. Two were completed for the Military Sea Transportation Service as dependent transports, the U. S. N. S. *Geiger* which was delivered on September 13, 1952, and the U. S. N. S. *Upshur*, delivered on December 20, 1952. Final guarantee surveys were conducted on these ships and on the U. S. N. S. *Barrett*, previously delivered.

The remaining 35 ships under contract were of the Mariner type, authorized by special legislation. Five ships were being built by each of 7 shipyards. By the end of the fiscal year, 10 of these ships had undertaken successful trials and were accepted for delivery as follows:

Old Dominion Mariner....	Oct. 8, 1952	Lone Star Mariner.....	Dec. 22, 1952
Keystone Mariner.....	Oct. 15, 1952	Cornhusker Mariner....	Jan. 5, 1953
Old Colony Mariner....	Oct. 28, 1952	Buckeye Mariner.....	Feb. 26, 1953
Tar Heel Mariner.....	Nov. 11, 1952	Mountain Mariner.....	Mar. 25, 1953
Free State Mariner.....	Dec. 18, 1952	Pine Tree Mariner.....	Apr. 8, 1953

Twenty-one more Mariners are scheduled for delivery in fiscal year 1954; and the remaining four in 1955. The delivered Mariners had been operating under general agency agreement for several months and were reported to be excellent ships with high operational and cargo handling efficiencies. Under trial conditions these ships had a

speed of almost 22 knots. Summaries of all ship construction may be found in appendixes A, B, C, and D.

Section 505 (b) of the Merchant Marine Act, 1936, as amended, states that profit limitation shall not apply to contracts or subcontracts for scientific equipment used for communication and navigation, nor to contracts under which the United States pays only for national defense features. No contracts or subcontracts were made in either category during fiscal year 1953.

Material control

Under the controlled materials plan of the Office of Defense Mobilization, the Maritime Administration continued acting as claimant for all seagoing merchant ship construction. After the setback of the steel strike of the preceding fiscal year, shipments of controlled materials were gradually increased throughout fiscal year 1953. However, since merchant shipbuilding did not have a priority position, it was impossible to meet fully the schedule of ship deliveries.

During the year there were processed 18 applications for accelerated tax amortization, as authorized in the Internal Revenue Code, covering the building or conversion of ocean-going ships. Of these, 11 were recommended to the Office of Defense Mobilization for approval and seven for denial. Two applications, amounting to \$47,500,000, for guaranteed loans under the Defense Production Act of 1950, were recommended for denial, which action was upheld by the Office of Defense Mobilization and the Reconstruction Finance Corporation.

In coordination with the Munitions Board, Office of Defense Mobilization, and other claimant agencies, planning was continued for merchant ship construction in the event of full mobilization. Additional requirements were developed for industrial facilities and critical major components to support such construction.

Conversions

Pursuant to contracts previously awarded to Gibbs & Cox, Inc., of New York, plans and specifications were being prepared for future conversion of the partially completed S. S. *Monterey* and the completed S. S. *United States* to troop transports. Similarly, in connection with the design contract for the Mariner ships, Bethlehem Steel Co., Shipbuilding Division, Quincy, Mass., was preparing plans and specifications for the future conversion of the Mariners to Navy (AKA) attack cargo ships and (APA) attack troop transports. The Maritime Administration was acting as the Navy Department's agent in these projects for Navy account.

Under the provisions of Public Law 856, Eighty-first Congress, three ships were sold to the Wisconsin-Michigan Steamship Co. for conversion. The conversion of one to a bulk carrier was completed. The second bulk carrier is scheduled for completion early in fiscal year

APPENDIX C

Progress of Construction on Ships Under Maritime Administration Contracts on June 30, 1953

Type	Name	Builder	Date of contract	Keel laid	Percent complete	Estimated delivery
C4-S-1a	Volunteer Mariner	Newport News Shipbuilding & Dry Dock Co., Newport News, Va.	Feb. 7, 1951	Apr. 28, 1952	97.52	Aug. 14, 1953
C4-S-1a	Palmetto Mariner	do	do	Oct. 20, 1952	80.73	Oct. 23, 1953
C4-S-1a	Cracker State Mariner	do	do	do	45.54	Mar. 19, 1954
C4-S-1a	Magnolia Mariner	Ingalls Shipbuilding Corp., Pascagoula, Miss.	do	Sept. 12, 1951	98.0	Aug. 14, 1953
C4-S-1a	Cotton State Mariner	do	do	Oct. 19, 1951	96.5	Sept. 11, 1953
C4-S-1a	Pelican State Mariner	do	do	Jan. 5, 1953	68.4	Feb. 19, 1954
C4-S-1a	Peninsula Mariner	do	do	Feb. 2, 1953	65.7	Apr. 16, 1954
C4-S-1a	Gopher Mariner	Bethlehem-Sparrows Point Shipyard, Sparrows Point, Md.	do	June 5, 1952	92.4	Aug. 24, 1953
C4-S-1a	Show Me Mariner	do	do	Sept. 29, 1952	71.4	Nov. 3, 1953
C4-S-1a	Sunflower Mariner	do	do	Jan. 20, 1953	51.6	Jan. 19, 1954
C4-S-1a	Nutmeg Mariner	Bethlehem Steel Co., Quincy, Mass.	do	Apr. 14, 1952	95.36	Aug. 21, 1953
C4-S-1a	Wolverine Mariner	do	do	Sept. 2, 1952	86.47	Sept. 25, 1953
C4-S-1a	Hoosier Mariner	do	do	Aug. 15, 1951	96.7	Aug. 5, 1953
C4-S-1a	Badger Mariner	Sun Shipbuilding & Dry Dock Co., Chester, Pa.	do	Oct. 15, 1951	82.4	Nov. 20, 1953
C4-S-1a	Hawkeye Mariner	do	do	Oct. 25, 1951	82.2	Feb. 20, 1954
C4-S-1a	Garden Mariner	do	do	do	91.34	Sept. 30, 1953
C4-S-1a	Diamond Mariner	New York Shipbuilding Corp., Camden, N. J.	June 25, 1951	Mar. 17, 1952	88.96	Nov. 11, 1953
C4-S-1a	Empire State Mariner	do	do	May 15, 1952	73.67	Dec. 31, 1953
C4-S-1a	Prairie Mariner	do	do	Sept. 15, 1952	51.26	May 1, 1954
C4-S-1a	Silver Mariner	do	do	Mar. 30, 1953	43.98	July 1, 1954
C4-S-1a	Golden Mariner	do	do	May 18, 1953	57.18	Dec. 15, 1953
C4-S-1a	Evergreen Mariner	Bethlehem Pacific Coast Steel Corp., San Francisco, Calif.	Aug. 1, 1951	Nov. 20, 1952	44.81	Feb. 15, 1954
C4-S-1a	Beaver Mariner	do	do	Feb. 15, 1953	32.58	Aug. 1, 1954
C4-S-1a	Sooner Mariner	do	do	do	27.43	Sept. 1, 1954
C4-S-1a	Grand Canyon Mariner	do	do	do	22.48	Feb. 1, 1955

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be determined for major types of ships instead of individual vessels; and others which are discussed farther on.

Several major steps toward the solution of these problems have already been taken. Foremost is the inauguration of a ship construction program, largest in our peacetime history, the major share of which will be privately financed. The start of such a program will go a long way toward the preservation of shipbuilding resources and skills so important to national defense, providing employment for nearly 36,000 shipyard workers.

This includes building tankers under a trade-in arrangement, building tankers for the Department of the Navy, and building several passenger-cargo ships under subsidy for private operators. Experiments will be undertaken to determine the feasibility of increasing the defense potential of hundreds of laid-up Liberty ships, by installing advanced propulsion machinery for increased speed and modifying their hulls for increased sea efficiency. In this phase American industry is giving its full cooperation. Improved cargo handling devices will also be installed on these ships in an effort to cut the time ships spend in port, which represents 60 percent of operating time and a potential saving to the industry of millions of dollars. Such a saving should in turn cut the Nation's operating subsidy bill. An emergency ship repair program will be undertaken, designed to repair and modernize more than 200 ships in the reserve fleets capable of serving as military auxiliaries.

In the Korean conflict construction began on 35 modern, fast, dry-cargo ships known as *Mariners*. This program is rapidly being completed. Of the five not yet delivered, one will be completed in August, three were sold and are being converted for private operation, and one is being converted for the Department of the Navy. The first steps have been taken toward the sale of more *Mariners* to private operators. Others have had to be laid up as defense needs declined.

New legislation was sought liberalizing Government insurance of mortgage loans, designed to encourage private lending institutions to furnish capital for ship construction. Such legislation will permit insurance of up to 90 percent of most ship's mortgages. The existing law did not provide the necessary stimulus to private lenders.

In the past few years lucrative cargoes in United States trade have drifted to foreign-flag lines. It was concluded that if American ships carried 50 percent of American cargoes, many of their troubles would be overcome. With this in mind Congressional support was given to permanent legislation to assure United States-flag privately operated merchant ships of at least 50 percent participation in Government cargoes.

The progress made in establishing specific operating-differential subsidy rates indicates that this work will be completely current by the end of calendar year 1955. This will clear up a situation in which the Government was up to 6 years behind in meeting its subsidy obligations to the shipping industry. Operating subsidy contracts were

Work on the S. S. *Evergreen Mariner*, at the Bethlehem-Pacific Coast Steel Corp. at San Francisco, was ordered suspended and a new contract was awarded for conversion to a Navy Cargo Ship, Attack (AKA). A sales contract was entered into with Pacific Far East Lines for the purchase of three Mariner ships at the Bethlehem-Pacific Coast Steel Corp. Extensive changes were ordered to suit these ships for the buyer's particular needs and consequently delivery was not expected before the last half of fiscal year 1955. The remaining ship of the 35 Mariners contracted for was scheduled for delivery in August 1954.

At the request of the Department of the Navy a contract was awarded to the Ingalls Shipbuilding Corp., Pascagoula, Miss., for construction for Navy account of two refrigerated stores ships.

The progress of construction on ships under Maritime Administration contracts as of June 30, 1954, is given in the following table:

Type	Name	Builder	Keel laid	Estimated delivery
C4-S-1a...	Silver Mariner.....	New York Shipbuilding Corp., Camden, N. J.	May 18, 1953	Aug. 11, 1954
C4-S-1b...	Evergreen Mariner.....	Bethlehem-Pacific Coast Steel Corp., San Francisco, Calif.	Feb. 16, 1953	May 10, 1955
C4-S-1f...	Golden Bear.....	do.....	Sept. 15, 1953	Dec. 23, 1954
C4-S-1f...	Sooner Mariner.....	do.....	Jan. 11, 1954	Mar. 1, 1955
C4-S-1f...	Grand Canyon Mariner.....	do.....	July 6, 1954	June 15, 1955
R3-S-4a...	Navy AF-58.....	Ingalls Shipbuilding Corp., Pascagoula, Miss.	Mar. 15, 1954	June 3, 1955
R3-S-4a...	Navy AF-59.....	do.....	June 7, 1954	July 15, 1955

Summaries of all ship construction are in appendixes B, C, and D.

Conversions

Work under contracts previously awarded to Gibbs & Cox, Inc., for plans and specifications for future conversion of the partially completed S. S. *Monterey* and the completed S. S. *United States* to troop transports was near completion. Work on plans and specifications for future conversion of Mariners to Navy (AKA) Attack Cargo Ships and (APA) Attack Troop Transports by Bethlehem Steel Co., Shipbuilding Division, Quincy, Mass., was completed. The Maritime Administration acted as the Navy Department's agent in these projects for Navy account.

Under the provisions of Public Law 856, 81st Congress, three ships had been sold to the Wisconsin-Michigan Steamship Co. for conversion. The conversion of one of these was completed previously. The conversion of the second to a bulk carrier was completed during fiscal year 1954. The third ship was being converted to a passenger-package freight carrier.

Building proposals

Preliminary plans and specifications were received from Grace Line Inc., for construction of two ships to replace the overage ships *Santa*

The Maritime Administration continued to sponsor, in cooperation with the Department of Defense, two research and development studies with respect to cargo handling, one with the University of California at Los Angeles and the other under the National Research Council. Contacts were made with the Atomic Energy Commission with a view to eventual use of atomic energy for ship propulsion.

Section 505 (b) of the Merchant Marine Act 1936, as amended, states that profit limitation shall not apply to contracts or subcontracts for scientific equipment used for communication and navigation, nor to contracts under which the United States pays only for national defense features. No contracts or subcontracts were made in either category during fiscal year 1954.

Inspections were conducted at manufacturers' plants on outfitting equipment for new ship construction, equipment for reserve fleet and training ships, and ship operations totaling \$1,400,000. Also 200,000 gallons of paint were inspected for new ship construction and reserve fleet ships.

Ship repair

The *Cornhusker Mariner* dragged anchor in a typhoon and grounded at Pusan, Korea, on July 7, 1953. On August 17, 1953, under deteriorating weather conditions the stern section broke and was cut free, was beached in the inner harbor, and later was towed to Japan and drydocked. A survey was made and estimates of cost were prepared both for reconstruction and for salvage and dismantling if not reconstructed. After considerable study it was determined to dismantle the stern section. All usable machinery and equipment were removed for shipment to the United States. The forward section, which remained fast on the rocks, was stripped of all salvageable parts and sold for scrap. A damage survey and specifications for repair of the S. S. *San Mateo Victory*, grounded in Korean waters, were prepared, assistance in salvage operations was given, and permanent repairs in Japan were supervised.

Estimates of cost and time for repairing 205 auxiliary military type ships in the reserve fleets were prepared for the emergency ship repair program. Testimony on the cost and desirability of the program was submitted to the Congress.

Repair inspections totalling 2,685 were made on 276 ships under operating subsidy agreements to verify subsidized repairs. Full condition surveys were made on 155 of these ships to record their condition when changes of status under subsidy agreements were made. Subsidy repair summaries submitted by 16 subsidized operators were reviewed for eligibility for subsidy. Of the total of more than \$37 million, nearly \$10 million was determined to be ineligible for aid. Four hundred and thirty inspections were made to verify repairs on ships under general agency for Maritime Administration account and 188 surveys were made to determine proper maintenance.

Auditing

The principal normal audit workloads result from operating-differential subsidy agreements, bareboat-charter agreements, construction contracts, and general agency agreements. Prime construction contracts and related subcontracts were being audited on a current basis, as were all current general agency ship operations. Considerable progress was made in reducing the audit workload on bareboat-charter operations to 115 unaccomplished audits.

Audits in connection with operating-differential subsidy agreements were receiving first priority. Audits of subsidizable expenses recorded by subsidized operators progressed to the point where soon such audits should be completed within 9 months of the close of the calendar year under review. Reviews of subsidy financial accountings submitted by subsidized operators will receive major attention in the future. Progress in the audit of bareboat-charter agreements has freed capable members of the field staff to perform subsidy audits.

During the fiscal year, 230 audits were added and 328 were completed, thus reducing the workload to 230 at June 30, 1954. A total of \$1,400,000 was determined as additional recapture due the Government as a result of audits completed.

The amounts on deposit in reserve funds of subsidized operators at the beginning of the fiscal year totaled \$90,525,453 in the capital reserve fund and \$73,567,577 in the special reserve fund, and at the end of the year, \$108,468,952 and \$86,551,497, respectively. The amounts on deposit June 30, 1954, by operators were as shown in appendix H.

Insurance

All work was completed for implementation of the stand-by war risk insurance program authorized by title XII, Merchant Marine Act, 1936, as amended. The last phase was providing for war risk cargo insurance to be effective on the outbreak of war and on the condition that adequate coverage is not obtainable in the commercial market on reasonable terms and conditions.

During the fiscal year, 97 war risk hull binders, 96 war risk protection and indemnity binders, and 89 war risk second seamen's (crew life and personal effects) binders were issued. Binding fees totaling \$18,550 were received and \$5,088 was paid in fees and expenses to the underwriting agent.

The three Mariner ships under contract of sale to the Pacific Far East Line were covered by war risk builder's risk insurance. One of the ships was launched and commercial underwriters were offered and accepted coverage of the ship. A contract to furnish insurance against protection and indemnity risks covering ships allocated to National Shipping Authority general agents was awarded to the Continental Insurance Co. (Marine Office of America), New York. The low bid was \$1.95 per gross registered ton.

During fiscal year 1954, \$3,475,000 was recovered from underwriters under the recapture provisions of wartime agreements. On June 30 underwriters held \$5,106,856 in their reserves for unsettled claims.

Under its self-insurance program the Maritime Administration continued to assume marine and war risk hull insurance and second seamen's insurance on its Government-owned ships, as well as builder's risk insurance on the Mariner ships. Losses paid to date under the Mariner program were less than \$100,000. Had they not been self-insured, the total marine builder's risk insurance premium would have amounted to an estimated \$1,000,000. The Maritime Administration continued to underwrite casualty insurance required under a contract between the Department of the Army and a transportation contractor, which could not be obtained in the domestic market. The Department of the Army will reimburse the Maritime Administration for any losses incurred. On June 30, 1954, second seamen's insurance was in effect on 53 Department of the Navy contract-operated tankers.

In accordance with its insurance compliance responsibilities, the Maritime Administration approved original insurance or renewals thereof obtained in commercial markets by mortgagors, charterers, and subsidized operators, in the following amounts:

Kind of insurance	Amount	Percentage American	Percentage foreign
Marine hull.....	\$1, 247, 793, 702	39	61
Marine protection and indemnity.....	1, 246, 047, 745	41	59
War risk hull.....	2, 406, 595, 349	3	97
War risk protection and indemnity.....	1, 943, 186, 867	3	97

Claims

The number of unlitigated claims in favor of and against the Government, nearly all of which arose from the wartime activities of the former United States Maritime Commission and War Shipping Administration, was reduced during fiscal year 1954 from 1,396 claims (with a claimed value of \$18,680,862) to 1,118 claims (with a claimed value of \$19,094,531). The total claimed value increased because of new claims received. Claims settled in favor of the Government represented a recovery of 95 percent; claims against the Government, 20.5 percent. In addition, there were 1,100 claims with the Department of Justice for litigation on which \$348,938,335 had been asserted. Appendix I shows the claims on hand June 30, 1954, and claims settled under the Suits in Admiralty Act.

Legal Activities

Legislation

The Congress considered a further revision of title XI, Ship Mortgage Insurance, Merchant Marine Act, 1936, as amended, designed to

FINANCIAL STATEMENTS

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION

DEPARTMENT OF COMMERCE

Balance Sheet—June 30, 1954 and 1953

ASSETS	JUNE 30		LIABILITIES	JUNE 30	
	1954	1953		1954	1953
CASH:			ACCOUNTS PAYABLE AND OTHER LIABILITIES:		
In U. S. Treasury.....	\$149,733,797	\$128,848,670	Accrued estimated operating-differential subsidies, less		
In other depositories.....	2,825,747	9,085,214	estimated recapturable subsidies totaling \$101,763,492,		
On hand and in transit.....	353,418	830,715	1954: \$107,931,063, 1953 (note 6).....	\$125,281,557	\$107,907,516
	<u>152,912,962</u>	<u>138,764,599</u>	Advances from other U. S. Government agencies.....	42,531,575	34,043,118
NOTES AND MORTGAGES RECEIVABLE (note 2):			Amounts due shipbuilders for construction of vessels.....	25,438,266	37,866,075
Domestic firms.....	211,453,871	231,568,406	Other accounts payable and accrued accounts.....	13,008,568	21,522,805
Foreign governments and nationals.....	109,289,888	124,148,165	Deposits by contractors, amounts related to uncon-		
Accrued interest.....	3,581,132	3,164,614	summated transactions, and other unallocated col-		
	<u>324,324,891</u>	<u>358,881,185</u>	lections.....	2,485,009	2,916,001
ACCOUNTS RECEIVABLE (note 2):			Amount withheld from purchaser of ship pending		
Domestic firms and individuals.....	28,438,628	25,021,159	settlement of controversial sale.....		1,679,171
U. S. Government agencies.....	6,764,433	33,279,284	Amounts withheld from employees for purchase of		
Foreign governments and nationals.....	1,980,220	2,247,685	savings bonds and payment of taxes.....	514,068	616,496
	<u>37,183,281</u>	<u>60,548,128</u>	Miscellaneous deferred credits.....	25,158	85,340
AGENTS' ADVANCES TO BRANCH HOUSES, SUB-AGENTS, AND				<u>209,284,201</u>	<u>206,636,522</u>
OTHERS.....	426,897	1,748,150	NET UNTERMINATED VOYAGE REVENUES (unterminated		
CAPITAL STOCK IN AMERICAN PRESIDENT LINES, LTD.....		65,305	voyage revenues, less untermi-		
MATERIALS AND SUPPLIES (note 3).....	45,503,316	51,013,837	nated voyage expenses		
VESSELS OWNED (at cost or assigned amounts) (note 4).....	4,632,427,245	4,453,650,102	totaling \$2,422,117, 1954; \$4,869,209, 1953).....	262,769	5,477,623
VESSELS UNDER CONSTRUCTION.....	21,641,867	162,291,163	RESERVES:		
			For estimated claims in connection with vessels sold		
			under the Merchant Ship Sales Act, 1946.....	10,891,745	12,500,000
			For estimated liability under assumed insurable risks on		
			operated vessels.....	1,076,076	1,616,764
			For estimated expense of restoring vessels to the reserve		
			fleet.....	354,331	1,196,724
				<u>12,322,152</u>	<u>15,313,488</u>
			EQUITY OF THE UNITED STATES GOVERNMENT (exhibit 3)....	<u>5,178,007,568</u>	<u>5,178,032,317</u>

LAND AND SITE DEVELOPMENT, STRUCTURES AND EQUIPMENT: (at cost, estimated cost, or assigned amounts) (note 4) (schedule 1)

Reserve shipyards.....	82,719,706	77,994,090
Marine terminals.....	32,978,337	31,990,960
Maritime Service training facilities.....	31,567,245	43,001,820
Reserve fleet sites.....	15,421,745	15,461,201
Warehouses.....	3,751,125	3,693,752
Administrative offices.....	1,864,477	2,417,878
	<u>168,302,065</u>	<u>174,559,601</u>
Construction in progress.....	6,937,394	
	<u>175,240,029</u>	<u>174,559,701</u>

OTHER ASSETS:

<i>S. S. Cornhusker Mariner</i> (note 5).....	9,185,000	
Deferred charges and other miscellaneous items.....	564,100	1,064,293
Advances to other U. S. Government agencies.....	436,953	741,536
Treasury deposits subject to refund or application to operations of future periods.....	130,149	2,131,951
	<u>10,316,202</u>	<u>3,937,780</u>
	<u>\$5,399,976,690</u>	<u>\$5,405,459,950</u>

\$5,399,976,690 \$5,405,459,950

The notes to financial statements are an integral part of this statement.

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION DEPARTMENT OF COMMERCE

Notes to Financial Statements—June 30, 1954 and 1953

1. The balance sheets and the statements of operations include transactions recorded in the accounts of certain steamship companies which operated vessels for the Administration under General Agency agreements.

2. No provision for loss has been made in connection with any notes or accounts receivable which may prove to be uncollectible. Accounts receivable from domestic firms and individuals and foreign nationals included \$6,415,609 at June 30, 1954, and \$6,974,935 at June 30, 1953, which had been referred to the Department of Justice for collection. Notes receivable from domestic firms included \$435,466 at June 30, 1954, and \$458,966 at June 30, 1953, which had been referred to the Department of Justice for collection. Notes and mortgages receivable at June 30, 1954, also included the following amounts with respect to mortgages which had been declared in default on or before that date:

	No. of vessels	Mortgage balance	Accrued interest
Domestic.....	24	\$13,938,082	\$604,743
Foreign.....	6	1,744,413	415,720
Total.....	30	\$15,682,495	\$1,020,463

3. Inventories of materials and supplies are valued at stock catalog prices which represent cost or estimated cost to the Administration. No consideration was given to the physical condition of the inventories in establishing these prices.

4. In accordance with generally accepted accounting practices of noncorporate Federal agencies the financial statements do not include an allowance for depreciation of vessels or other tangible fixed assets. With respect to sales of fixed assets this practice results in larger recorded losses, and with respect to other current year operations, the recorded net costs and expenses are less than would have been the case had depreciation been recognized in the accounts.

5. The *Cornhusker Mariner* ran aground in Korean waters during a typhoon in July 1953 and while salvage and dismantling operations have been in progress the total loss from the disaster is not yet known.

6. The net operating-differential subsidies payable to each subsidized operator are determinable only after the completion of a 10-year contract period. The estimated recapturable amount of \$101,763,492 at June 30, 1954, and \$107,931,093 at June 30, 1953, therefore, will be revised subsequently in the light of operating revenues or losses during the later years of the contracts. The amount payable at June 30, 1954, includes operating-differential subsidies of \$6,700,000 withheld from payment to an operator until final determination of construction-differential subsidy in connection with the sales price of two vessels and \$3,000,000 for the calendar years, 1948, 1949, and 1950, under an agreement whereby such "holdback" would be made to cover any amounts that may be found due the United States as the result of the redetermination of the construction-differential subsidy allowance granted in connection with the reconstruction of several vessels. The provisions for estimated operating-differential subsidies of \$96,244,954 for the year ended June 30, 1954, and \$108,865,896 for the year ended June 30, 1953, include adjustments of approximately \$12,000,000 and \$19,000,000, respectively, applicable to prior fiscal years.

7. The Maritime Administration was contingently liable under agreements insuring mortgages payable to a lending institution totaling \$279,167 at June 30, 1954, and \$370,833 at June 30, 1953. An application was approved prior to June 30, 1954, to insure a mortgage loan not to exceed \$2,500,000, however, no advances had been made to the mortgagor under this loan as of June 30, 1954.

8. Construction-differential subsidies for the fiscal year ended June 30, 1954, include a net credit of \$3,400,000 in connection with the settlement of the sales price of a vessel sold in a prior year. The subsidies for the fiscal year ended June 30, 1953, include a reimbursement by another purchaser of \$950,000 towards an undetermined amount of excess construction-differential subsidy allowed during prior years.

9. The Administration was contingently liable for undetermined amounts in connection with settlements to be made under 1,361 claims against the Administration aggregating \$344,935,000 at June 30, 1954, and 1,536 claims aggregating \$352,635,000 at June 30, 1953. As a partial offset against these unrecorded liabilities the Administration had a number of unrecorded assets and claims receivable in connection with settlement to be made under 764 claims in favor of the Administration aggregating \$23,097,000 at June 30, 1954, and 1,020 claims aggregating \$25,039,000 at June 30, 1953. Many of the claims both against or in favor of the Administration represent adjustments of preliminary settlements, and others require original determinations to be made. Based on previous experience, it is anticipated that settlement of these claims will be made for amounts substantially less than the gross amount of the claims. In addition to the foregoing there were outstanding at June 30, 1954, 89 continuing seamen's disability payment claims under the provisions of Public Law 449, 78th Congress, for which the annual liability for payment is approximately \$163,000. There were also 4 cases under this law which were terminated by the death of the recipient and upon which the final payment obligations at June 30, 1954, amounted to a total of \$1,000. Included among the funds available for payment of claims was an unexpended balance of \$103,136,248 at June 30, 1954, and \$108,401,530 at June 30, 1953, in a fund appropriated to the Secretary of the Treasury for payment of obligations incurred by the War Shipping Administration prior to January 1, 1947. This fund, which was continued available during the fiscal year 1954, is not included in the accounts of the Administration.

10. The Administration has been granted authority by the Congress to enter into contracts for the construction of vessels prior to the appropriation of funds for that purpose. At June 30, 1954, the amount of this authority was \$50,190,804 of which \$559,830 is held in reserve for adjustment of contractual obligations, leaving an unobligated balance of \$49,630,974 as at that date, and at June 30, 1953, the amount of this authority was \$109,191,924 of which \$78,734,694 was encumbered by contractual obligations, leaving an unobligated balance of \$30,457,230 as at that date. The unobligated balance of \$49,630,974 at June 30, 1954, will not be required for the purpose for which originally granted and the Bureau of the Budget has authorized the Treasury Department to eliminate from the June 30, 1954, Treasury statement the balance of the unfinanced contract authority as represented by the unobligated balance of \$49,630,974.

11. At June 30, 1954, the Administration had an obligation to return to owners United States Government securities in the amount of \$5,506,500. The obligation at June 30, 1953, was \$6,278,500. These securities had been accepted from vessel charterers, subsidized operators, and other contractors to assure performance under contracts, and are held for safe-keeping in the United States Treasury.

Annual Report of the

**FEDERAL MARITIME BOARD
and
MARITIME ADMINISTRATION**

1955



UNITED STATES DEPARTMENT OF COMMERCE

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FISCAL YEAR ACTIVITIES

Introduction

The Federal Maritime Board and the Maritime Administration have continued to direct their efforts to the accomplishment of their responsibilities under the maritime laws for the development and promotion of an American merchant marine sufficient to carry the domestic waterborne commerce and a substantial portion of the foreign commerce of the country, capable of serving as a naval auxiliary in time of war, owned by, and operated under the United States flag by citizens of the United States, and composed of the best-equipped, safest, and most suitable types of vessels manned by a trained and efficient citizen personnel. These efforts, during the past year, were notable in the administering of programs involving the (1) accelerated construction of new and replacement ships for the country's merchant fleet, (2) repair of reserve fleet vessels to provide ready availability in event of emergency, (3) development of new ship and propulsion designs for new construction and adaptation to existing ships in the active or reserve fleets, (4) promotion and assistance to the American merchant marine, and (5) improvement in management and efficiency of the agency.

In meeting the objectives of these programs, the Federal Maritime Board-Maritime Administration continued to foster the basic principles of (a) providing for the maximum in private ownership and operation of the merchant marine with full initiative in its own development of the shipping business and the solution of maritime problems; and (b) limiting to a minimum Federal participation and then only to the extent necessary to meet the country's economic and national security needs, within the policy of the President and the Congress; and (c) administering the country's maritime laws in an economical, efficient, and effective manner.

With respect to the ship construction program, considerable headway has been made in the construction of new cargo ships and tankers and the conversion of existing ships to partially offset "block obsolescence" of the vessels of the merchant marine and to provide for continued employment and availability of shipyard personnel with ship construction "know-how" essential in time of emergency or war.

During the course of the year there were 13 ships under construction and five ships were being reconverted in various shipyards throughout the country, in which the agency was directly concerned, as follows:

1. The last 4 of a total of 35 modern, fast, dry-cargo, Mariner-type ships—3 of these vessels were delivered during the year. A total of 9 of these ships have been sold to private operators, conversion work having commenced on 4 of these prior to June 30, 1955.

2. Construction under contracts for the Department of the Navy included 2 refrigerated stores ships, and 3 of 4 tankers, and the conversion of 1 Mariner-type ship to a Navy cargo attack ship.
3. Work commenced on the construction of 4 of 6 tankers contracted for with 3 major oil companies under the program for the trade-in of obsolete tankers for allowance of credit against construction costs of new tankers.

In addition, a contract was awarded covering the construction of one roll-on/roll-off cargo ship for the Navy Department, and the conversion of one ship to a Great Lakes passenger-freight carrier, sold to a private operator under Public Law 836, 81st Congress, is progressing under private contract with Title XI aid.

There were pending at the close of the fiscal year applications from three private operators for the construction of eight combination passenger-cargo vessels submitted under the replacement provisions of subsidy contracts and requesting construction-differential subsidy aid. An application also was pending from a private operator for the purchase and conversion of one Mariner to a one-class passenger ship for operation between east coast of the United States and north European ports.

Public Law 781, 83d Congress, enacted during the fiscal year 1955, gave impetus to private financing with respect to new construction, with particular reference to substituting mortgage insurance aid for the mortgage aid provided for in sections 501, 502, and 509 of the 1936 act. Under the provisions of this law, a number of new applications were filed during fiscal year 1955. Four applications were received from companies desiring to build up to 37 tankers for charter to the Department of the Navy under the provisions of Public Law 575, 83d Congress, which authorized said Department to charter, under certain terms, up to 15 new tankers of prescribed principal characteristics. These applications were approved in principle by the Maritime Administrator during the fiscal year.

Allied with the ship construction program was the emergency ship repair program under which 90 Navy auxiliary-type ships were withdrawn from the reserve fleets for repairs, thereby effecting a material upgrading of the mobilization readiness of these ships and providing sorely needed work for the repair yards and their workers in the three coastal areas.

In connection with the development of new ship and propulsion designs, considerable progress has been made and further research and studies are contemplated in the areas of ship structure, hydrodynamics, and cargo handling. Developmental design and experiments are in progress with respect to Liberty-type ships involving the (a) installation of new propulsion equipment, including steam, diesel, and gas turbines; (b) installation of modified cargo handling gear; and (c) modification of hull lines to increase speed.

In anticipation of the use of nuclear power in merchant ships, the Maritime Administration entered into a study agreement with the Atomic Energy Commission. Under this agreement, contracts were

charters in effect as of June 30, 1954, under the authority of the Merchant Ship Sales Act of 1946, as amended. In addition, a review was made, supplemental to the annual review, of the charters of nine fully refrigerated ships operating transpacific for the purpose of carrying primarily military perishable cargo. It was found that the continuance of such charters was justified.

One Mariner-type ship was chartered for Round-the-World service, and at the termination of the voyage was delivered to the charterer as purchaser. Of the three Mariner-type ships chartered for transpacific service in fiscal year 1954 until such time as three Mariner ships purchased by the charterer could be delivered from the construction yard and entered into service, two were in process of redelivery, since two of the purchased ships have entered service. The third will continue under charter until the last purchased Mariner is delivered from construction and enters service in fiscal year 1956. The charter of the two Good Neighbor ships remaining in operation was extended for a period of 1 year.

Ship custody

At the close of the 1955 fiscal year, there were 2,068 ships in the reserve fleets. During the year, 304 ships were taken into the fleets and 303 were withdrawn. The following is a tabulation of ships in the fleets at the close of fiscal year 1955:

Astoria, Oreg-----	204	Mobile, Ala-----	319
Beaumont, Tex-----	207	Olympia, Wash-----	150
Hudson River, N. Y-----	156	Suisun Bay, Calif-----	320
James River, Va-----	383	Wilmington, N. C-----	329

The ship preservation program progressed steadily, within the limitations of available manpower, with 94 percent of basic layup and preservation of ships completed, and 35 percent of the year's workload of recurring preservation completed by the end of the fiscal year. A greater percentage of completion of recurring preservation work, with available manpower, was not possible because of diversion of preservation personnel to other work activities to meet emergencies.

By June 30, 1955, the program for protection of the underwater surfaces of hulls on ships in the reserve fleets had reached completion at Hudson River, James River, Wilmington, Suisun Bay, Astoria, and Olympia fleets. In those fleets protection is provided for 1,542 ships, or three-quarters of the total number.

The disruption to the James River and Wilmington reserve fleets caused by a severe hurricane in October 1954 was substantially rectified by the end of the fiscal year. Work by the Corps of Engineers to strengthen the moorings at the Wilmington fleet was progressing satisfactorily, and completion is estimated to be about December 31, 1955.

An intensive firefighting training program was carried out for the purpose of strengthening the daytime fire brigade stationed at each fleet. Refresher training for the regular security force was effected as funds permitted. Emphasis on the safety program resulted in a reduction in frequency of accidents and consequent decrease in man-days lost.

Other activities

Arrangements were made with a meteorologist/oceanographer for a demonstration of transatlantic routing based upon long-range forecasting. This initial experiment utilized a Victory-type vessel and produced such promising results that trial over a full range of seasons appeared desirable. It is now contemplated that the demonstration will be completed during the winter of 1955-56, and approximately 16 separate transoceanic passages will be available for evaluation.

Under the terms of the Mutual Security Act of 1954, the Maritime Administration was designated to act for the International Cooperation Administration in procuring a maximum of eight privately owned, or selecting Government-owned C1-M-AV1 vessels for transfer to Korea. One privately owned vessel was purchased, acquisition of a second was pending, and reactivation of reserve fleet vessels, purchase of spare parts, and establishment of a basic training program for the Korean crews were in process.

Shipbuilding and Repair

At the beginning of the fiscal year, there were seven ships being constructed under Maritime Administration contracts. Of these, four were Mariner-class vessels, three of which were completed and accepted by the Administration by the end of the year. During the year, two of the three Mariner vessels sold to the Pacific Far East Line, Inc., were accepted for delivery (SS. *Golden Bear* and the SS. *Korean Bear*) and the third (SS. *Japan Bear*) was scheduled for delivery in September 1955.

Two refrigerated stores ships being constructed under Maritime Administration contracts for the Department of the Navy by the Ingalls Shipbuilding Corp. were scheduled for delivery in August and October 1955. Conversion of the ex-*Evergreen Mariner* to a Navy attack cargo ship (AKA) was scheduled for completion in November 1955. During fiscal year 1955, contracts were awarded for the construction of four oil tankers and one "roll-on/roll-off" cargo ship for the Department of the Navy.

The ships being constructed under Maritime Administration contracts as of June 30, 1955 are given below :

Type	Name	Builder	Keel laid	Estimated delivery
C4-S-1b....	U. S. S. Tulare AKA-112.	Bethlehem-Pacific Coast Steel Corp., San Francisco, Calif.	Feb. 16, 1953	Nov. 17, 1955
C4-S-1f....	Japan Bear.....	do.....	July 8, 1954	Sept. 8, 1955
R3-S-4a....	U. S. S. Rigel AF-58.....	Ingalls Shipbuilding Corp., Pascagoula, Miss.	May 15, 1954	Aug. 31, 1955
R3-S-4a....	U. S. S. Vega AF-59.....	do.....	June 7, 1954	Oct. 14, 1955
T5-S-12a....	Navy AO-149.....	Sun Shipbuilding & Dry Dock Co., Chester, Pa.	Mar. 8, 1955	Mar. 13, 1956
T5-S-12a....	Navy AO-150.....	do.....	June 8, 1955	May 12, 1956
T5-S-12a....	Navy AO-151.....	do.....	do.....	July 11, 1956
T5-S-12a....	Navy AO-152.....	Ingalls Shipbuilding Corp., Pascagoula, Miss.	May 16, 1955	July 9, 1956
C3-ST-14a....	Navy T-AK-269.....	Sun Shipbuilding & Dry Dock Co., Chester, Pa.	-----	Mar. 20, 1957

Summaries of all ship construction are in appendixes B, C, and D.

Conversions

Work under contracts awarded previously to Gibbs & Cox, Inc., for future conversion of the SS. *United States* and the partially completed SS. *Monterey* to troop transports was completed.

A contract for conversion of four Mariner-type vessels for the American President Lines was awarded to Bethlehem Steel Co., Shipbuilding Division, Baltimore, Md. Completion of the last ship is scheduled for January 1956.

Conversion of the SS. *Good Neighbor* (ex-SS. *Marine Star*) to a passenger-freight carrier on the Great Lakes was underway. This ship was sold under the provisions of Public Law 856, 81st Congress, to the Wisconsin & Michigan Steamship Co.

In order to meet the requirements of the Department of Defense for vessels with minimum speed of 15 knots for logistical support of military operations, an extensive study was made of what was needed to improve the speed and cargo-handling characteristics of the Liberty ships.

As a result of this study, the following actions to reengine four Liberty ships with propulsion units of 6,000 s. h. p. has been taken: (1) A contract was awarded to Ira S. Bushey & Sons, Inc., Brooklyn, N. Y., for conversion of one ship to steam turbine drive and effecting changes to the cargo gear to facilitate carrying military cargoes. Completion was scheduled for October 1955; (2) a contract was awarded to Bethlehem Steel Co., Baltimore, Md., for conversion of one ship by installation of two geared diesel engines, removal of present bow and installation of finer bow, and installation of experimental cargo cranes; (3) a contract was awarded to the General Electric Co., for manufacture of an open-cycle, gas-turbine propulsion unit. Award of the conversion including longer finer bow will be made early in fiscal year 1956; and (4) a contract was awarded to the General Motors Corp. for manufacture of a free piston generator-gas turbine propulsion unit. Award of the conversion including longer and finer bow will be made early in fiscal year 1956.

and the National Maritime Union. Details of eligibility, unemployment payments, and other provisions and regulations are to be determined by trustees of the pension and welfare plan.

Ship Sales and Transfers

Ship sales

During the year the vessels SS. *President Cleveland* and SS. *President Wilson* were sold to the American President Lines, Ltd., for the sums of \$6,346,263 and \$6,318,088, respectively, under the authority of Public Law 553, 83d Congress, approved July 29, 1954. Four Mariner-type vessels were also sold to American President Lines, Ltd., for operation after conversion in its Round-the-World service under the authority of the Merchant Marine Act of 1936, as amended. The total sales price for the four vessels was \$17,686,687.

A sales contract was entered into with Pacific Far East Lines for the purchase of three Mariner-type vessels under the authority of the Merchant Marine Act of 1936 in connection with granting construction-differential subsidy aid, and to provide for extensive changes to suit the vessels for the buyer's particular needs prior to delivery of the vessels from the shipyard. The preliminary sales price on one of these vessels was \$5,750,000 and on the other two, \$5,700,000 each. During the year one overage ferryboat was sold for operation, resulting in a return of \$36,639 to the Government.

Transfers to foreign ownership and/or registry

Appendix G lists applications approved pursuant to Sections 9 and/or 37 of the Shipping Act, 1916, as amended, for transfer to foreign ownership and/or registry of ships owned by United States citizens. Of the total approved, 530 were ships of less than 1,000 gross tons, such as tugs, barges, fishing craft, and pleasure craft. The remaining 144 ships were of 1,000 gross tons and over. In connection with this latter group and pursuant to a condition of transfer, the Maritime Administration has approved the resale of 45 foreign-flag ships to other foreign nationals, subject to the same terms and conditions as those which governed the original transactions. Further, of the total United States-flag vessels of 1,000 gross tons and over approved for transfer to foreign ownership and registry, 11 were approved for transfer in consideration for the construction of new tonnage, or rebuilding of existing tonnage, in the United States.

During the year, 11 applications for approval to transfer United States privately owned ships of 1,000 gross tons and over were denied.

During the early part of fiscal year 1955, the Maritime Administration's policy was amended so as to permit, under certain conditions, the transfer of a reasonable number of Liberty-type vessels to Pana-

Insurance

Public Law 209, 84th Congress, approved August 3, 1955, extended the authority for the war risk insurance program to September 7, 1960. Twenty-three contracts have been executed with cargo underwriting agents for insurance to be effective upon the outbreak of war and on the condition that adequate coverage is not obtainable in the commercial market upon reasonable terms and conditions as determined by the Secretary of Commerce.

During the fiscal year, 97 war risk hull binders, 81 war risk protection and indemnity binders, and 76 war risk second seamen's binders were issued. As of June 30, 1955, binders outstanding are as follows: 882 war risk hull, 798 war risk protection and indemnity, and 733 war risk second seaman's. Net binding fees totaling \$156,600 had been received, and a total of \$44,425 had been paid in fees and expenses since inception of the program.

Two of three Mariner-type vessels under construction in shipyards in the United States and under contract of sale to the Pacific Far East Line were covered by extensions of war risk builder's risk insurance. Premiums totaling \$79,281 have been received on the binders issued. Upon launching of the last vessel, the war risk insurance was covered by commercial underwriters.

A new contract to furnish insurance against protection and indemnity risks was awarded to the National Automobile & Casualty Company, of Los Angeles, Calif., covering ships operated by Maritime Administration general agents in the Military Sea Transportation Service.

The Maritime Administration, under its self-insurance program, continued to assume hull and war risk insurance and second seamen's insurance on Government-owned vessels, and builder's risk insurance on the Mariner-type ships until completion. Total claims received amounted to \$180,911, of which \$65,376 was disapproved.

During the fiscal year ended June 30, 1955, there was recovered from underwriters, under the recapture provisions of World War II wartime hull and protection and indemnity agreements, a total of \$1,550,000. The total recoveries to date amount to \$60,275,000, representing \$13,525,000 from hull underwriters and \$46,750,000 from protection and indemnity underwriters. The hull underwriters have disposed of the last case under their agreement and a final settlement of the reserve, subject to recapture, is expected at an early date.

The Maritime Administration has continued to underwrite excess legal liability insurance, provided under a contract between the Department of the Army and a transportation contractor, which cannot be obtained in the domestic market or elsewhere except at prohibitive rates. As of June 30, 1955, second seaman's insurance was still in effect on 37 Department of the Navy contract-operated tankers.

In accordance with its insurance compliance responsibilities, the Maritime Administration approved original insurance or renewals thereof (generally on an annual or quarterly basis) obtained in com-

FINANCIAL STATEMENTS

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION DEPARTMENT OF COMMERCE

Balance Sheet—June 30, 1955 and 1954

ASSETS	JUNE 30		LIABILITIES	JUNE 30	
	1955	1954		1955	1954
CASH:			ACCOUNTS PAYABLE AND OTHER LIABILITIES:		
In U. S. Treasury.....	\$284,992,969	\$149,733,797	Accrued estimated operating-differential subsidies, less estimated recapturable subsidies totalling \$108,870,566, 1955; \$101,763,492, 1954 (note 6).....	\$132,833,379	\$125,281,557
In other depositories.....	2,291,150	2,825,747	Advances from other U. S. Government agencies.....	125,169,017	42,531,575
On hand and in transit.....	854,814	353,418	Amounts due shipbuilders for construction of vessels.....	18,785,885	25,438,266
	268,138,933	152,912,962	Other accounts payable and accrued accounts.....	11,092,843	13,008,568
NOTES AND MORTGAGES RECEIVABLE (note 2):			Tanker trade-in allowances payable.....	3,665,678	-----
Domestic firms.....	193,848,550	211,453,871	Deposits by contractors, amounts related to un-		
Foreign governments and nationals.....	92,876,861	109,289,888	consummated transactions, and other unallocated collections.....	2,322,246	2,485,009
Accrued interest.....	3,444,084	3,581,132	Amounts withheld from employees for purchase of savings bonds and payment of taxes.....	498,027	514,068
	200,169,495	324,324,891	Miscellaneous deferred credits.....	15,739	25,158
ACCOUNTS RECEIVABLE (note 2):				294,382,814	209,284,201
Domestic firms and individuals.....	21,273,299	28,438,628	NET UNTERMINATED VOYAGE REVENUES (-EXPENSES) (unterminated voyage revenues, less un-		
U. S. Government agencies.....	3,280,487	6,764,433	terminated voyage expenses totalling \$1,967,904, 1955; \$2,422,117, 1954).....	-281,895	362,769
Foreign governments and nationals.....	1,992,064	1,980,220			
	26,545,850	37,183,281	RESERVES:		
AGENTS' ADVANCES TO BRANCH HOUSES, SUB-AGENTS, AND OTHERS.....	605,308	426,897	For estimated claims in connection with vessels sold under the Merchant Ship Sales Act, 1946....	9,043,129	10,891,745
MATERIALS AND SUPPLIES (note 3).....	44,169,031	45,503,316	For estimated liability under assumed insurable risks on operated vessels.....	1,199,538	1,076,076
VESSELS OWNED (at cost or assigned amounts) (note 4).....	4,603,428,423	4,632,427,245	For estimated expense of restoring vessels to the reserve fleet.....	306,841	354,331
VESSELS UNDER CONSTRUCTION.....	38,727,967	21,641,867		10,549,508	12,322,152
LAND AND SITE DEVELOPMENT, STRUCTURES, AND EQUIPMENT (at cost, estimated cost, or assigned amounts) (note 4) (schedule 1):					
Reserve shipyards.....	83,465,070	82,719,706			
Marine terminals.....	30,240,850	32,978,337			

Maritime Service training facilities.....	23,686,833	31,567,245	EQUITY OF THE UNITED STATES GOVERNMENT (exhibit 3).....	5,135,237,965	5,178,007,568
Reserve fleet sites.....	16,311,940	15,421,745			
Warehouses.....	3,718,488	3,751,125			
Administrative offices.....	1,560,881	1,864,477			
	158,984,062	168,302,635			
Construction in progress.....	6,249,335	6,937,394			
	165,233,397	175,240,029			
OTHER ASSETS:					
Advances to other U. S. Government agencies.....	1,533,322	436,953			
Deferred charges and other miscellaneous items.....	1,231,217	564,100			
Treasury deposits subject to refund or application to operations of future periods.....	105,449	130,149			
SS. Cornhusker Mariner (note 6).....		9,185,000			
	2,869,988	10,316,202			
	<u>\$5,439,888,392</u>	<u>\$5,399,976,690</u>		<u>\$5,439,888,392</u>	<u>\$5,399,976,690</u>

The notes to financial statements are an integral part of this statement.

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION
DEPARTMENT OF COMMERCE

Statement of Operations for the Years Ended June 30, 1955 and 1954

	YEAR ENDED JUNE 30	
	1955	1954
CURRENT YEAR OPERATIONS:		
Operating activities:		
Revenues and reimbursements:		
Operations of National Shipping Authority.....	\$17,419,448	\$60,166,044
Chartering of vessels to others (exclusive of those included in operations of National Shipping Authority).....	4,248,474	3,327,853
Operation of marine terminals.....	12,471	888,241
Maintenance of reserve fleet vessels.....	1,124,529	8,182
Training of Maritime Service officers and seamen.....	61,035	224,764
Operation of warehouses.....	43,467	33,414
Maintenance of reserve shipyards.....	228,438	438,211
Total revenues and reimbursements.....	23,137,862	65,086,709
Costs and expenses:		
Operations of National Shipping Authority.....	13,328,672	48,903,411
Chartering of vessels to others (exclusive of those included in operations of National Shipping Authority).....	259,647	565,475
Operation of marine terminals.....	6,977,314	5,509,423
Maintenance of reserve fleet vessels.....	2,876,557	3,975,799
Training of Maritime Service officers and seamen.....	585,982	689,883
Operation of warehouses.....	575,274	560,953
Maintenance of reserve shipyards.....		
Total costs and expenses.....	24,603,446	60,414,808
Net costs and expenses (- income):		
Operations of National Shipping Authority (schedule 2).....	-4,090,776	-11,262,633
Chartering of vessels to others (exclusive of those included in operations of National Shipping Authority).....	-3,988,827	-2,762,378
Operation of marine terminals.....	-12,471	-678,577
Maintenance of reserve fleet vessels.....	5,852,785	5,501,241
Training of Maritime Service officers and seamen.....	2,815,522	3,751,035
Operation of warehouses.....	542,515	656,489
Maintenance of reserve shipyards.....	346,836	122,742
Total net costs and expenses (- income).....	1,465,584	-4,672,101
Direct subsidies and cost of national defense features:		
Estimated operating-differential subsidies (note 6).....	130,049,900	96,244,954
Adjustment of estimated recapturable subsidies.....	-7,140,926	4,589,428
Construction-differential subsidies.....	122,908,974	100,834,382
Cost of national defense features.....	* 5,700,721	5,538,417
	1,515,969	2,809,945
	130,125,664	109,182,744
Excess of recorded cost of vessels sold over proceeds of sale, and vessels lost and abandoned.....	56,965,303	8,449,129
Administrative expenses—amount allocated to NSA excluded.....	6,250,462	7,349,525
Cost of repairing reserve fleet vessels.....	6,417,715	
Other income and adjustments (-income):		
Interest earned on notes and accounts receivable.....	-10,954,346	-12,162,878
Inventory and other property adjustments.....	-193,202	-1,276,188
Loss on sale of materials and supplies.....	1,238,173	4,890,786
Loss on sale of fixed assets other than vessels.....	341,334	264,510
Net income from sale of capital stock of American President Lines, Ltd.....		-180,607
Net income from War Risk Insurance Program.....	-67,444	-39,632
Miscellaneous.....	-700,337	598,053
	-10,335,822	-7,885,956
Net cost of current year operations (note 4).....	190,888,906	112,423,341
ADJUSTMENTS APPLICABLE TO PRIOR YEARS:		
Net charges arising from adjustments and settlements related principally to World War II activities.....	6,511,183	8,256,868
Participation in profits of World War II insurance syndicates.....	-1,550,000	-3,475,000
	4,961,183	4,781,868
NET COST OF OPERATIONS (note 4).....	\$195,850,089	\$117,205,209

* Includes reconstruction-differential subsidy of \$342,058.

The notes to financial statements are an integral part of this statement.

FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION

DEPARTMENT OF COMMERCE

Notes to Financial Statements—June 30, 1955 and 1954

1. The balance sheets and the statements of operations include transactions recorded in the accounts of certain steamship companies which operated vessels for the Administration under General Agency agreements.

2. No provision for loss has been made in connection with any notes or accounts receivable which may prove to be uncollectible. Accounts receivable from domestic firms and individuals and foreign nationals included \$5,397,598 at June 30, 1955, and \$6,415,609 at June 30, 1954, which had been referred to the Department of Justice for collection. Notes receivable from domestic firms included \$435,468 at June 30, 1955, and June 30, 1954, which had been referred to the Department of Justice for collection. Notes and mortgages receivable at June 30, 1955, also included the following amounts with respect to mortgages which had been declared in default on or before that date:

	Number of vessels	Mortgage balance	Accrued interest
Domestic.....	22	\$10,607,450	\$562,915
Foreign.....	6	1,744,413	570,725
Total.....	28	\$12,351,863	\$1,133,640

3. Inventories of materials and supplies are valued at stock catalog prices which represent cost or estimated cost to the Administration. No consideration was given to the physical condition of the inventories in establishing these prices.

4. In accordance with generally accepted accounting practices of noncorporate Federal agencies, the financial statements do not include an allowance for depreciation of vessels or other tangible fixed assets. With respect to sales of fixed assets, this practice results in larger recorded losses, and with respect to other current year operations, the recorded net costs and expenses are less than would have been the case had depreciation been recognized in the accounts. Included in the Vessels Owned account at June 30, 1955, are 31 vessels with a recorded value of \$78,024,991 which had been transferred to the Department of the Navy but had not yet been included in their records. Upon receipt of advice from the Department of the Navy that these vessels have been taken up in their records, the appropriate valuation will be removed from the Maritime Administration accounts. At June 30, 1954, there were 23 of these vessels with a recorded value of \$59,422,785.

5. The *Cornhusker Mariner* ran aground in Korean waters during a typhoon in July 1953, and while salvage and dismantling operations had been in progress at June 30, 1954, the total loss from the disaster was not known at that time. The salvage operations were completed during fiscal year 1955 and usable machinery and equipment were removed to Maritime Administration warehouses. The balance of the machinery and the hull were sold for scrap. The total value realized from the salvaging operations amounted to \$2,056,446, and the remaining value of the vessel, \$7,105,627, was written off during fiscal year 1955.

6. The net operating-differential subsidies payable to each subsidized operator are determinable only after the completion of a 10-year contract period. The estimated recapturable amount of \$108,870,566 at June 30, 1955, and \$101,763,492 at June 30, 1954, therefore, will be revised subsequently in the light of operating revenues or losses during the later years of the contracts. The amount payable at June 30, 1955, includes operating-differential subsidies of \$6,700,000 withheld from payment to an operator until final determination of construction-differential subsidy in connection with the sales price of two vessels and \$3,000,000 for the calendar years 1948, 1949, and 1950, under an agreement whereby such "holdback" would be made to cover any amounts that may be found due the United States as the result of the redetermination of the construction-differential subsidy allowance granted in connection with the reconstruction of several vessels. The provisions for estimated operating-differential subsidies of \$130,049,900 for the year ended June 30, 1955, and \$96,244,954 for the year ended June 30, 1954, include adjustments of approximately \$16,000,000 and \$6,000,000, respectively, applicable to prior fiscal years.

7. The Maritime Administration was contingently liable under agreements insuring mortgages payable to lending institutions totaling \$2,204,167 at June 30, 1955, and \$279,167 at June 30, 1954.

8. The Administration was contingently liable for undetermined amounts in connection with settlements to be made under 1,164 claims against the Administration aggregating \$321,610,000 at June 30, 1955, and 1,361 claims aggregating \$344,935,000 at June 30, 1954. As a partial offset against these unrecorded liabilities, the Administration had a number of unrecorded assets and claims receivable in connection with settlement to be made under 600 claims in favor of the Administration aggregating \$23,515,000 at June 30, 1955, and 764 claims aggregating \$23,097,000 at June 30, 1954. Many of the claims both against or in favor of the Administration represent adjustments of preliminary settlements, and others require original determinations to be made. Based on previous experience, it is anticipated that settlement of these claims will be made for amounts substantially less than the gross amount of the claims. In addition to the foregoing, there were outstanding at June 30, 1955, approximately 100 continuing seamen's disability payment claims under the provisions of Public Law 449, 78th Congress, for which the annual liability for payment is approximately \$168,000. Included among the funds available for payment of claims was an unexpended balance of \$101,378,140 at June 30, 1955, and \$103,136,248 at June 30, 1954, in a fund appropriated to the Secretary of the Treasury for payment of obligations incurred by the War Shipping Administration prior to January 1, 1947. This fund, which was continued available during the fiscal year 1955, is not included in the accounts of the Administration.

9. At June 30, 1955, the Administration had an obligation to return to owners United States Government securities in the amount of \$5,214,500 and municipal bonds in the amount of \$285,000. The obligation at June 30, 1954, all in United States Government securities, was \$5,506,500. These securities had been accepted from vessel charterers, subsidized operators, and other contractors to assure performance under contracts, and are held for safe keeping in the United States Treasury.

**STUDY OF THE OPERATIONS OF THE MARITIME
ADMINISTRATION AND THE FEDERAL
MARITIME BOARD**

**HEARINGS
BEFORE THE
COMMITTEE ON
MERCHANT MARINE AND FISHERIES
HOUSE OF REPRESENTATIVES
EIGHTY-FOURTH CONGRESS
FIRST SESSION**

FEBRUARY 2, 3, 4, 15, 17, 23, 24, AND 25, 1955

Printed for the use of the Committee on Merchant Marine and Fisheries



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WASHINGTON : 1955**

STUDY OF THE OPERATIONS OF [THE MARITIME ADMINISTRATION AND THE FEDERAL MARITIME BOARD

THURSDAY, FEBRUARY 3, 1955

HOUSE OF REPRESENTATIVES,
COMMITTEE ON MERCHANT MARINE AND FISHERIES,
Washington, D. C.

The committee met at 10:15 a. m., pursuant to recess, in room 219, Old House Office Building, Hon. Herbert C. Bonner (chairman) presiding.

The CHAIRMAN. The committee will come to order, please. I do not expect there will be any objection to the committee proceeding, because this type of hearing would not ordinarily require a quorum. If the membership of the committee is not interested in the subject before the committee, I cannot bring them in. We will proceed with such membership as we do have. The clerk will call the roll, please, of the members.

(The roll was called by the clerk of the committee, with the following members answering present: Messrs. Bonner (chairman), Roberson, Sullivan, Thompson, Miller, Byrne, Bell, Davidson, Ashley, Tollefson, Sheehan, Van Pelt, Ray, Milliard, Dorn, Pelly, and Chase.)

The CHAIRMAN. We have again this morning the Maritime Administration.

Who represents the Maritime Administration this morning?

Mr. FORD. I do, sir.

The CHAIRMAN. Captain Ford?

Mr. FORD. Yes, sir.

The CHAIRMAN. Would you give your full title and name, please, for the record?

STATEMENT OF WALTER C. FORD, DEPUTY MARITIME ADMINISTRATOR (RESUMED), ACCOMPANIED BY THOMAS E. STAKEM, JR., ASSISTANT TO DEPUTY MARITIME ADMINISTRATOR; AND J. J. McMULLEN, CHIEF, OFFICE OF SHIP CONSTRUCTION

Mr. FORD. I am Capt. Walter C. Ford, Deputy Maritime Administrator.

The CHAIRMAN. This morning, Captain Ford, I wish you would introduce the members of your staff or Board who are present with you, so the committee will know them when they take part in the discussion.

Mr. FORD. Mr. McMullen, the Chief of the Office of Ship Construction; Mr. Stakem, the assistant to the Deputy Maritime Administrator; Mr. A. J. Williams, the Secretary of the Board; Mr. John Harrell, of the legal staff; Mr. Vito Russo, of the Office of Ship Construction; and Mr. Ludwig C. Hoffmann, of the Office of Ship Construction, and Commander Charles Fears, Office of Ship Construction.

44 MARITIME ADMINISTRATION AND FEDERAL MARITIME BOARD

The next item on the agenda is the so-called Mariner story. I have prepared for the guidance of the committee a summary of the 35 Mariner ships which we had under construction and have built. These 35 ships were contracted for at 3 different times. The first 25 were contracted for on the 7th of February 1951. They were awarded as shown on your sheet to the Newport News Shipbuilding & Drydock Co. for 5, to Ingalls Shipbuilding Corp. for 5, Bethlehem, Sparrow's Point, for 5; Bethlehem Steel, Quincy yard, for 5; and the Sun Shipbuilding & Drydock Co., for 5.

(The information is as follows:)

Status mariner class vessels (C4-S-1a) as of Feb. 1, 1955

M. A. hull No.	Builder	Vessel	Delivery	Contract price	Operator during guaranty period	Status	Fleet	Present operator	Contemplated purchaser
1	Newport News Shipbuilding & Dry Dock Co., Newport News, Va.	Old Dominion ¹	Oct. 8, 1952	\$7,775,000	American President Lines.....			Chartered to American President Lines.	Contemplated sale to American President Lines.
2	do	Tar Heel ¹	Nov. 28, 1952	7,775,000	Pacific Far East Lines.....	Layup	Sulsun		
3	do	Volunteer ¹	Aug. 14, 1953	7,775,000	Matson Navigation Co.....	do	Beaumont		Contemplated sale to American President Lines.
4	do	Palmetto ¹	Dec. 11, 1953	7,775,000	Pope & Talbot, Inc.....	do	Olympia		do.
5	do	Cracker State ¹	May 29, 1954	7,775,000	South Atlantic Steamship Co.....	do	Beaumont		do.
6	Ingalls Shipbuilding Corp., Pascagoula, Miss.	Lone Star ¹	Dec. 22, 1952	7,898,000	Lykes Bros. Steamship Co.....	do	Olympia		
7	do	Magnolia ¹	Aug. 11, 1953	7,898,000	Mississippi Shipping Co.....	do	Mobile		
8	do	Cotton ¹	Aug. 31, 1953	7,898,000	Luckenbach Steamship Co.....	do	do		
9	do	Pelican ¹	Feb. 19, 1954	7,898,000	Bloomfield Steamship Co.....	do	Beaumont		
10	do	Peninsula ¹	Apr. 29, 1954	7,898,000	Waterman Steamship Co.....	do	Mobile		
11	Bethlehem Sparrows Point Shipyard, Inc., Baltimore, Md.	Free State ¹	Dec. 18, 1952	7,938,000	Farrell Lines, Inc.....			Chartered to Pacific Far East Lines.	Contemplated sale to Oceanic Steamship Co.
12	do	Mountain ¹	Mar. 26, 1953	7,938,000	Grace Lines, Inc.....	Layup	Beaumont		
13	do	Gopher ¹	Sept. 9, 1953	7,938,000	American Mail Lines, Ltd.....	do	James		
14	do	Show Me ¹	Jan. 19, 1954	7,938,000	A. H. Bull Steamship Co.....	do	do		
15	do	Sunflower ¹	Apr. 13, 1954	7,938,000	Luckenbach Steamship Co.....	do	Beaumont		
16	Bethlehem Steel Quincy Yard, Quincy, Mass.	Old Colony ¹	Oct. 28, 1952	8,298,000	United States Lines Co.....			Chartered to Pacific Far East Lines.	Contemplated sale to Oceanic Steamship Co.
17	do	Cornhusker ¹	Jan. 5, 1953	8,296,000	Seas Shipping Co.....	Out		do	
18	do	Pine Tree ¹	Apr. 3, 1953	8,296,000	Pacific Transport Lines.....				
19	do	Nutmeg ¹	Sept. 9, 1953	8,296,000	Moore McCormack Lines.....	Layup	Hudson		
20	do	Wolverine ¹	Oct. 30, 1953	8,296,000	American Export Lines.....	do	Olympia		
21	Sun Shipbuilding & Dry Dock Co., Chester, Pa.	Keystone ¹	Oct. 15, 1952	8,399,256	Waterman Steamship Co.....	do	Sulsun		
22	do	Buckeye ¹	Feb. 26, 1953	8,399,256	States Marine Corp.....	do	do		
23	do	Hoosier ¹	July 29, 1953	8,399,256	Isthmian Steamship Co.....	do	Olympia		
24	do	Badger ¹	Oct. 29, 1953	8,399,256	South Atlantic Steamship Co.....	do	Hudson		
25	do	Hawkeye ¹	Feb. 3, 1954	8,399,256	Farrell Lines, Inc.....	do	James		

Footnotes at end of table.

Status mariner class vessels (C4-S-1a) as of Feb. 1, 1955—Continued

M. A. hull No.	Builder	Vessel	Delivery	Contract price	Operator during guaranty period	Status	Fleet	Present operator	Contemplated purchaser
26	New York Shipbuilding Corp., Camden, N. J.	Garden ¹	Oct. 24, 1953	9,290,000	American Hawaiian Steamship Co.	Layup.....	Hudson.....		
27	do.	Diamond ¹	Dec. 22, 1953	9,290,000	Prudential Steamship Co.	do.....	Olympia.....		
28	do.	Empire State ¹	Feb. 24, 1954	9,290,000	United States Lines Co.	do.....	Mobile.....		
29	do.	Prairie ¹	May 25, 1954	9,290,000	American Hawaiian Steamship Co.	do.....	James.....		
30	do.	Silver ¹	Aug. 11, 1954	9,290,000	Moore McCormack Lines, Inc.	Operating.....			
31	Bethlehem-Pacific Coast Steel Corp., San Francisco, Calif.	Golden ¹	Feb. 3, 1954	9,493,000	Pacific Atlantic Steamship Co.	Layup.....	Suisun.....		
32	do.	Evergreen ¹	Nov. 1, 1955 ²	9,493,000	Navy AKA-112.....	Building.....			To U. S. Navy
33	do.	Golden Bear.....	Jan. 28, 1955	9,493,000	Pacific Far East Lines.....	Operating.....			U. S. S. Tulane.
34	do.	Korean Bear.....	Apr. 1, 1955	9,493,000	do.....	Building.....			Sold to Pacific Far East Lines.
35	do.	Japan Bear.....	Aug. 15, 1955 ²	9,493,000	do.....	do.....			Do.

¹ Mariner.
² Estimated.

RECAPITULATION

Laid up.....	25
Chartered.....	4
Operating.....	2
Building.....	3
Lost.....	1
Total.....	35
Sold.....	3
Transferred.....	1
Contemplated sales.....	6
Total.....	10

On the sheet I have listed the hull numbers, the names of the builders, the names of the vessels, the date when the ships have been delivered, and the contract price.

The next column is the operators who chartered the ship and operated it during the guaranty period. Then there is the present status of the ship, and if it is in the reserve fleet where it is located, and any other special items are also listed.

The sixth contract for the Mariners was awarded on the 25th of June 1951, with the contract going to the New York Shipbuilding Corp. in Camden.

The seventh contract was on August 1, 1951, and was given to Bethlehem Steel Corp., Pacific.

At the present time we have sold several of the Mariners. A summary of this sheet indicates that we have 25 in lay-up, there are 4 under charter, there are 2 operating, there are 3 still building, and 1 has been lost. We have sold three. We contemplate the sale of six more. One has been transferred to the Navy. The one transferred to the Navy is the one already mentioned as the AKA, the attack transport, being converted at Bethlehem Pacific. The contemplated sales include 4 to the American President Lines and 2 to the Oceanic Steamship Co. The American President Lines will modify these ships to a limited extent to suit their individual requirements in round-the-world trade. The 2 that are contemplated being sold to the Oceanic Steamship Co. will be converted to passenger ships having a total of 360 passengers.

The sales price of these ships has been set on an average basis, and for foreign operation the sales price for the 20-knot ship, new, is \$5,460,000, and for the 18-knot ship it has been set as \$4,774,000.

At the present time, the contemplated sale to PFEL, that is the Pacific Far Eastern Lines, for the 3 ships that they are converting, has been tentatively set at \$5,750,000.

The daily depreciation as calculated on these ships for foreign trade is \$654. In other words, the foreign cost which I mentioned originally was new, that is, as they were completed, and each day there is a depreciation value of \$654.

The CHAIRMAN. What brings on the depreciating value? Is it the increased age of the ship?

Mr. McMULLEN. Yes, sir. We depreciate it on a 20-year basis, Mr. Chairman.

The next item that I would like to present is the Maritime Administration Liberty ship.

The CHAIRMAN. Under what authority do you arrive at the sales price of the Mariners?

Mr. McMULLEN. It is on the basis of the cost foreign, sir. In other words, under the authority of the Merchant Marine Act of 1920 Federal Maritime Board is charged with setting the construction cost of these ships. On the time these contracts cost

Mr. McMULLEN. The percentage, I believe—I will supply the exact one for the record, sir—was approximately 42 percent subsidy. In other words, foreign it would cost 58 percent of the cost in the United States.

(NOTE.—Actual average Mariner construction differential subsidy is 42.6 percent.)

The CHAIRMAN. What authority did you have to equalize the price that you would sell Mariners at?

Mr. McMULLEN. Of course, the authority was granted to the Federal Maritime Board, sir.

Mr. FORD. I think the secretary to the Board can answer that.

The CHAIRMAN. All right.

Mr. WILLIAMS. I am A. J. Williams. I am secretary to the Federal Maritime Board. Mr. Chairman, the averaging of the price of the Mariners was predicated on a decision of the Comptroller General.

The CHAIRMAN. You understand what I am asking. Under what authority, what act, or what part of the 1936 act, or what law, gave you the authority to average out the price of these ships, fixing them for sale?

Mr. WILLIAMS. Mr. Chairman, I am not certain that there is any provision in the act that would authorize the averaging of the price of 35 Mariners. There is a provision in the Merchant Marine Act of 1936, section 705, which provides that the price shall be fixed as of the date the contract is executed. In the case of the Mariners, 25 ships were contracted for on a particular date. Five were contracted for on another date, and five were contracted for on a third date. The Board had previously determined three separate prices, based on those dates. Later the matter was referred to the Comptroller General, and it was the Comptroller General's opinion that the prices of all of those ships should be averaged. On that basis, the Board averaged the price.

The CHAIRMAN. The elapsed time in the letting of these contracts, the maximum time, was how much?

Mr. WILLIAMS. Sir, I can only give you a guess on that.

Mr. McMULLEN. I have the exact dates, Mr. Williams.

The CHAIRMAN. Tell us what they just approximately.

Mr. McMULLEN. The first one was February 7, 1951, and the last date was August 1, 1951.

The CHAIRMAN. All of them were in 1951?

Mr. McMULLEN. Yes, sir.

The CHAIRMAN. The contracts for the full 35 were in 1951?

Mr. McMULLEN. Yes, sir.

The CHAIRMAN. How much had the foreign differential changed?

Mr. McMULLEN. Not very much, sir.

The CHAIRMAN. Then what makes the cost of these ships so vastly different?

Mr. McMULLEN. The cost that you have here is the United States price, sir.

The CHAIRMAN. That is what I am speaking of.

Mr. McMULLEN. The sales price is based on the foreign cost, sir.

The CHAIRMAN. These ships are let in groups?

Mr. McMULLEN. Yes, sir.

The CHAIRMAN. And each contract has as many as 3 to 5 ships?

Mr. McMULLEN. They all had five, yes, sir.

The CHAIRMAN. What made the cost to the Government, to the Maritime Administration, to have such a difference?

Mr. McMULLEN. Sir, there were 35 ships bid out. Naturally, the one with the lowest bid was the Newport News Shipbuilding & Drydock Co. That was \$7,775,000.

The CHAIRMAN. How much was the next one?

Mr. McMULLEN. The next one was the Ingalls Shipbuilding Corp. at \$7,898,000.

The CHAIRMAN. What was the highest price?

Mr. McMULLEN. The highest price was the last one, which was given to the Bethlehem Steel Corp. in San Francisco, and that was \$9,493,000.

The CHAIRMAN. What made such a difference in the price?

Mr. McMULLEN. Two things, sir. The first thing is the United States cost went up very steeply during that period of 6 months, and, secondly, was the fact that they were allocated to the different yards around the country. In other words, Newport News could have built all 35 at the same price or a much cheaper price, but the intent at the time was to allocate the work throughout the United States.

The CHAIRMAN. United States costs advanced?

Mr. McMULLEN. Yes, sir.

The CHAIRMAN. And the foreign costs remained about the same?

Mr. McMULLEN. Well, they went up slightly, yes, sir.

The CHAIRMAN. Then there would be a reduction in the foreign differential on the last ships?

Mr. McMULLEN. On the last ships, the differential would be much higher, percentagewise. In other words, take the foreign costs at \$4,770,000, which is the sales price at 18 knots. You have to consider that remaining constant and the United States cost going up because of the two factors, the increased cost of building in the United States and the allocation of the ships to the various yards.

I am sorry, Mr. Chairman. I see I have not answered your question. Let me explain it this way, sir. All of these ships were contracted for in the United States. The prices vary from a low of \$7,775,000 to a high of \$9,493,000. Let us assume that during that period of time the foreign shipbuilding costs remain the same, just for discussion purposes. Therefore, from a construction subsidy angle, although that was not considered at the time because these ships were for Government account, the percentage of the construction subsidy on the last ship would have been much higher than it was on the first ship. But the foreign cost of the last ship would have been exactly the same as the foreign cost of the first ship.

Mr. DAVIDSON. Mr. Chairman, if I may, I do not like to interrupt so frequently, but I do have a question here.

I think from what the witness has said there is one thing that has become quite evident and that is that one of the factors in the increased cost of shipbuilding in the United States possibly might be this requirement under the law that no more than 4 ships can be built in 1 yard, or contracts for 4 ships can be let to any one yard.

Would you say that is so?

Mr. McMULLEN. That is not in all the legislation, sir. That is in specific legislation. It was the case of the tankers, the MSTs tankers, restricting it to 3, and in the case of the Mariners it restricted it to 5.

Another factor, sir, is that Newport News could not have delivered all 35 ships.

Mr. DAVIDSON. I appreciate that. But it is a factor that the more ships built in a yard the more the price would go down. Is that not so?

Mr. McMULLEN. Definitely, sir.

Mr. DAVIDSON. If you have Ingalls yard, and they produce 1 ship once in awhile, their cost for producing that ship would be \$9 million, whereas the Sun yard would be \$7 million, because it is a more active yard, their facilities are there, they buy things in larger quantities, and so forth, is that not right?

Mr. McMULLEN. Their overhead per ship goes down; yes, sir.

Mr. DAVIDSON. That is right. So it would be also for these foreign countries. England, which stands first in shipbuilding, and possibly in view of the United States policy of rehabilitation of these countries we have helped here to improve her facilities for shipbuilding, she stands first and she builds the most ships.

Mr. McMULLEN. Yes, sir.

Mr. DAVIDSON. One of the reasons that she builds the most ships is because her costs are the lowest.

Mr. McMULLEN. Yes, sir.

Mr. DAVIDSON. And one of the reasons that her costs are the lowest is because she is building the most ships.

Mr. McMULLEN. Actually, at the present time, the trend in the United Kingdom is going up very rapidly.

Mr. DAVIDSON. That is happening all over the world.

Mr. McMULLEN. Yes, sir.

Mr. DAVIDSON. But if we take the course in this country that will help foreign governments to build ships, they are going to be able to beat us as far as the costs are concerned, in geometric progression: are they not?

Mr. ROBESON. Is not the factor you are not emphasizing in costs the difference in production per man-hour, when a ship is built with fewer man-hours, it costs less?

Mr. McMULLEN. Yes, sir.

Mr. ROBESON. That is basically involved in a lot of costs, too?

Mr. McMULLEN. Yes. Actually, you see, the labor rates on the Pacific coast are higher than they are on the east coast. So there is a differential of perhaps 10 percent in the labor rates between the east coast and the west coast. Since labor in the United States makes up approximately 45 percent of the total cost of the ship, that increases the cost of the ship by 5 or 6 percent.

Mr. ROBESON. How do the man-hours used to build the ship compare?

Mr. McMULLEN. That depends on the individual yard, sir.

Mr. ROBESON. And it varies?

Mr. McMULLEN. That varies from yard to yard, considerably; yes, sir. For example, it is quite obvious that the man-hours involved between Newport News and the Sun Shipbuilding Co., all of whose contracts were let on the same day, varied almost directly as the contract price varied, sir, because you can assume the material would be available to everyone at approximately the same cost.

The CHAIRMAN. Then it is not correct to say that the differential in price, this \$1,418,000, is all due to advance in cost. It was a difference in the cost in location.

Mr. McMULLEN. Yes, sir.

The CHAIRMAN. If what you had said was correct, do other things reflect the same advance in cost in the same period?

Mr. McMULLEN. In the heavy industries, yes, sir, there would be a slight trend upward during that period. According to the material and metal products index there was an advance during that period.

The CHAIRMAN. Mr. Williams was going to explain something.

Mr. WILLIAMS. I was going to elaborate a little more, Mr. Chairman. I think we are a little bit confused on the method of pricing these ships. The pricing of the Mariner ships is predicated upon the foreign costs solely. It has nothing to do with the American cost at all. The only way that the American cost gets into the picture is in arriving at the percentage differential, as Mr. McMullen explained early in the meeting here. So between February and August, there was a rise in the foreign-cost figures that we had. That accounted for the increase between February and August.

The price of the ship is based upon the foreign cost; not upon the American cost.

The CHAIRMAN. But you have averaged the price of these vessels?

Mr. WILLIAMS. Yes, sir.

The CHAIRMAN. This was the first instance that you ever had concerning the price of vessels?

Mr. WILLIAMS. Yes, sir, except in the Ship Sales Act. In the Ship Sales Act, of course, the Congress specifically authorized the fixing of an average price for certain types of ships. But in the Merchant Marine Act there is no authority that I know of for averaging the price of ships built under title 7.

The CHAIRMAN. Then did the Ship Sales Act set the precedent?

Mr. WILLIAMS. No, sir, I do not think so. I think the Comptroller General's decision was predicated on what he considered to be good sense and good judgment. Whether that is so or not, I would not state. But he felt as long as you were selling these ships, they ought to be sold at the same price to everybody.

The CHAIRMAN. But existing law would have required you to have sold them on individual costs?

Mr. WILLIAMS. As of the three particular dates, yes, sir, 25 ships at one price, 5 ships at another price and 5 ships at another price.

The CHAIRMAN. That would have been the manner and the way under which you would have sold in accordance with the law.

Mr. WILLIAMS. That is right. That is the way the Board's decision was written. You are probably aware, Mr. Chairman, that we have very close liaison with the Comptroller General's office now. When the decision was ready for publication, it was sent to the Comptroller General's office for his perusal and agreement, if he did agree.

The CHAIRMAN. Mr. Tollefson?

Mr. TOLLEFSON. As far as the Government is concerned, it would get as many dollars whether they averaged them or priced them individually?

Mr. WILLIAMS. If you sell 35 of them; yes, sir.

Mr. ROBESON. Would you mind telling me what you mean by cost? Do you get that cost? What is that cost?

Mr. WILLIAMS. We heretofore have gotten our foreign figures from the Department representatives abroad. Captain McMullen is on a new procedure now.

Mr. McMULLEN. Yes, sir.

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Mr. WILLIAMS. We heretofore have gotten our foreign figures from the State Department representatives abroad. Captain McMullen is working on a new procedure now.

Mr. ROBESON. What was that cost that you base the sale of Mariners on? What was that cost? Is it an average foreign cost or the cost of a certain country with the lowest cost of the country or the average cost in the country?

Mr. WILLIAMS. It was the low cost in a particular shipbuilding center.

Mr. ROBESON. In a particular country?

Mr. WILLIAMS. Yes, sir.

Mr. ROBESON. Was that the lowest cost that was foreign?

Mr. WILLIAMS. That was considered to be the lowest cost that was foreign; yes, sir.

Mr. ROBESON. That was the lowest foreign cost?

Mr. WILLIAMS. Yes, sir.

Mr. ROBESON. Would it be a secret to state what country that was?

Mr. McMULLEN. No, sir. That was the United Kingdom at the time, sir. Sir, the low-cost center has various factors involved. First, it is the ability of the country to build the ship. Secondly, there is a factor of delivery time. Third is the political stability of that country. And all of these are in conjunction with low cost.

Mr. ROBESON. Then you mean this was a theoretical cost, the country not having built a similar ship but you assumed they would build a ship, and if they did build the ship it would be this cost?

Mr. McMULLEN. That is right, sir. It is a reasonable cost estimate in that country of a ship to these plans and specifications.

Mr. ROBESON. So the fact of the matter is that we are not placing these prices on an actual cost but on somebody's estimated cost?

Mr. McMULLEN. That is right.

Mr. ROBESON. And that depends on the ability of the estimator to estimate correctly?

Mr. McMULLEN. Yes, sir.

Mr. ROBESON. So we have another variable factor?

Mr. McMULLEN. Yes, sir. That is the way the Merchant Marine Act of 1936 is set up. It states in there a reasonable cost estimate in the low-cost shipbuilding center.

Mr. ROBESON. I am not trying to find fault, but we want to know exactly what is done so we know exactly where we are.

Mr. McMULLEN. Yes, sir.

Mr. ROBESON. Thank you.

Mr. BYRNE. Mr. McMullen, I am from a shipyard area near Philadelphia, with the various shipyards and the Philadelphia Navy Yard. You made a statement that the Navy had farmed some work out to private industry. Could you tell me why, when the Philadelphia Navy Yard is having these layoffs, with skilled help being thrown on the street? Do they not have the facilities to do some of this work?

Mr. McMULLEN. Yes, sir, they do have the facilities. I do not believe I mentioned that earlier, sir, but actually what it is is the Navy Department is attempting to stabilize the manpower figure, which is employed in the naval shipyards throughout the United States. At the present time that might be, say, 100,000 men.

Mr. BYRNE. We are down now to 9,000 men.

Mr. McMULLEN. That is just in those yards which can build oceangoing ships in excess of 400 feet in length.

Mr. BYRNE. The Philadelphia Navy Yard could take care of that.

